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World Economic Forum 2019



Anton Bendarzsevszkij, László Gere, Fanni Maráczki

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The main theme on the 49th Annual Meeting of the World Economic Forum 2019 held in Davos was the narrative that we live in a new global economic era, which had been named "Globalisation 4.0" based on the currently very popular and almost universally applicable 4.0 numbering. Top leaders from all over the world gathered in Davos in order to discuss the challenges, potential cooperation and proposed solutions related to Globalisation 4.0.

- The topic of this year's meeting was the new wave of globalisation, the so-called **Globalisation 4.0** along with its potential and challenges.
- The atmosphere was generally characterised by **pessimism** about global economic trends and arising challenges.
- **The main absentees** from this year's meeting were Donald Trump, Xi Jinping, Vladimir Putin, Emmanuel Macron and Theresa May.
- The **IMF** had updated its economic projection before the meeting, **forecasting a more moderate growth** for 2019 and 2020 compared to previous estimates.
- UN Secretary-General **António Guterres called for cooperation and solidarity** to manage global risks.
- **Mike Pompeo** addressed the meeting in a video call and talked about the **increasingly strong global economic and political position of the United States** which is to be further improved in the future
- **Angela Merkel** stressed the **importance of maintaining and reforming the system of multilateral institutions**
- **Sir David Attenborough** drew attention to the **irreversible consequences of climate change** urging participants to take immediate and practical steps in the regard
- **Representing China, Vice President Wang Qishan** underlined in his speech the importance of strengthening multilateralism and that of cooperation to gain mutual benefits
- **The leaders of the largest Russian enterprises were absent from this year's forum due to sanctions** and the official delegation was represented at the highest level by **Maksim Oreshkin**, Minister of Economic Development.

The event, held between January 22 and 25, hosted around 3,000 participants from various spheres, including business, government, civil society, academia, culture, and media. However, **"big names" tellingly did not show up in this year's forum**; US President Donald Trump, China's President Xi Jinping and the Head of the Russian Government, Vladimir Putin were among the absentees. As for European leaders, neither British Prime Minister Theresa May, nor French President Emmanuel Macron were present at the meeting. The overall atmosphere was also much gloomier and more pessimistic compared to last year's event. The **increasing global risks and tensions were discussed at length**, which appropriately reflected the recent global political trends.

Main themes and participants of the meeting

Globalisation 4.0, which was the central theme of the event, **focused on two major trends**: 1) **It's high time for global cooperation**, as legitimate frustration over the failure of globalization to consistently raise living standards spills over into populism and nationalism in many countries. 2) A whole new wave of fundamental change is completely transforming our lives due to the digital revolution. The terrifying vision of the consequences of global climate change leaves no choice for humanity but to figure out a solution for a better functioning global economy as soon as possible.¹

The youngest participant was the 16-year-old South African wildlife photographer Skye Meaker, while the oldest was 92-year-old Sir David Attenborough, the British naturalist and television broadcaster. Participants included: Japanese Prime Minister Shinzo Abe, recently elected Brazilian President Jair Bolsonaro, German Chancellor Angela Merkel, Chinese Vice President Wang Qishan, Italian Prime Minister Giuseppe Conte, Israeli Prime Minister Benjamin

Netanyahu, UN Secretary-General António Guterres, NATO Secretary-General Jens Stoltenberg, IMF's chief Christine Lagarde as well as high ranking officials and representatives of many countries and international institutions. (According to the event's website, there were no Hungarian participants present at the meeting.)²

What does Globalisation 4.0 stand for?

Today, we are experiencing a new wave of globalisation (the first three globalisation waves were): (1) the period from the First Industrial Revolution to the outbreak of the First World War (2) the period of recovery from the Second World War and (3) the period beginning with the dissolution of the Soviet Union until the global economic crisis (1989-2008)³).

The current period is threatened by **global climate change** in an unprecedented way, therefore, global cooperation and innovation, involving the widest possible range of stakeholders, is necessary to tackle its effects. This era is also characterised by **technological revolution** and the question arises as to how prepared we are to face its effects. One of the most fitting examples is the level of preparedness of cities: the cities that don't already apply smart technologies will necessarily lag behind competitors. In the next couple of decades, however, education and employment will also go through a major transformation. There will be surely both winners and losers in this process as well and the preparedness for and adaptability to change is of key importance.⁴

That being said, it is high time to address the new challenges arising from the new wave of globalisation on a global scale.

The key results of the forum

The speeches and discussions can be grouped into six sub-themes. **the geopolitics of the multipolar world; industrial systems and technological aspects; the future of the economy; the resilience to risks to promote systemic thinking; human capital and society; global institutional reform.**⁵

Economy and politics

This year, a gloomier economic atmosphere prevailed during the discussions than last year and the participants made more pessimistic statements. IMF's chief **Christine Lagarde**, for example, said that the IMF had most recently **projected slower economic growth both for 2019 and 2020** compared to its earlier estimates. This, however, does not mean that the Fund forecasts a complete recession but it does expect increasing risks and commercial tensions, Chinese economic slowdown and geopolitical uncertainty, all of which will have a negative impact on future growth.⁶

UN Secretary-General António Guterres pointed out in his speech on the state of the world that individual nations **need to show much more solidarity among themselves to address increasing global challenges**, as countries are more and more dependant on each other due to globalisation. He noted in particular the **relation of the world's three superpowers, i.e. China, Russia, and the USA** (making it clear that we now lived in a multipolar rather than a bipolar world), which, in his opinion, **had never been so dysfunctional**. The Secretary-General **identified three risks** which he considers to pose the greatest threat to the world economy: (1) commercial tensions (referring to the commercial war between the USA and China), which also create political tensions (2) the level of debt, which is currently higher than at the outbreak of the economic recession

and significantly limits the room for manoeuvre of countries as well as creates major instability on the financial markets and (3) climate risk, which is the single most important systemic risk of the near future. He is particularly pessimistic in this regard, as political will is still lacking to take the necessary steps despite the fact that there might be technological solutions to address the issue.⁷



US Secretary of State Mike Pompeo, who wasn't present in person because of the the US government shutdown, joined the meeting through video call. In his speech he said that **"New winds are blowing across the world"**. The question is whether they signal fair weather or foreshadow a storm, he continued, referring to the globally ever increasing uncertainty in many areas. Answering his question, he said that all these trends forecast some sort of positive development.

Regarding the international system of institutions, he stated that these could not stand up for the people of the nations, only their elected leaders could. **He considers nations, strong borders and sovereignty to be more important than multilateral organisations.**

Commenting on **the US economy**, he pointed out that it had recently **realised a significant growth** despite the moderate global economic growth.

Among **global risks**, he highlighted the nuclear programme of **North Korea, Iran**, the economic model of **China** as well as **radical Islamist**

terrorism. Despite all these circumstances, however, the US-led “coalition” had made significant progress. Therefore, the USA maintains an optimistic outlook as a global player even in these hard times.⁸

The topic of the **long-standing Venezuelan economic and political crisis** was also brought to the fore in Davos. **The leaders of Brazil, Colombia and Peru along with the Canadian Foreign Minister issued a joint resolution** in which they assured Juan Guaido, Venezuela’s interim president of their countries’ support. During the Davos meeting, a dedicated section addressed the state of the crisis-stricken country, in which experts discussed future steps to recover the country’s economy.⁹

Japanese Prime Minister Shinzo Abe presented the country’s progress in economic policy, the so-called “womenomics”, one of the key points of which is to increase the employment of women. Thanks to this, since 2012 around 2 million female employee entered the labour market, significantly boosting the economic performance of the country. This process creates a self-reinforcing cycle since the increase of employment generates greater demand, which, in turn, results in further employment growth.¹⁰

The event also hosted **Jacinda Ardern**, New Zealand’s Prime Minister, the world’s youngest head of government, who explained that New Zealand placed an increasingly greater emphasis on the social well-being of the nation, in addition to economic welfare. Therefore, the government introduced the so-called “**well-being budget**” from 2019 on, the point of which is that policies should also influence the quality of people’s life. This means in practice that the ministers have to prove during the budget planning that the budget items have a real long-term positive effect on people’s life.¹¹



The President of the Republic of South Africa, **Cyril Ramaphosa** has an optimistic outlook on the opportunities for Africa to catch up and thrive. He said in his speech that his country had made an enormous progress over the last quarter of a century and, although this growth had slowed down in the past decade, further acceleration was expected in the future. Thanks to the technological revolution, the country now **has a window of opportunity to apply the latest solutions skipping certain technological steps** and securing an unprecedented advantage in development.¹²

The future of Europe

A dedicated section addressed the different European perspectives. In the section, Italian Prime Minister **Giuseppe Conte complained about the damages caused by globalisation** and the negative impacts they had had on the Italian middle class, underlying **Italy’s disappointment in the institutions of the European Union**. He focused in his speech on the importance of returning the power to the people so that it could overcome its feeling of hopelessness.¹³ **Spain’s Prime Minister Pedro Sánchez concentrated on the potential and challenges of digitalising the economy** and he urged that technology should not benefit only one social class and that a “new

technological gap" should be avoided.¹⁴ **German Chancellor Angela Merkel** defended global institutions and **reinforced her commitment to multilateralism** reminding the audience of the enormous progress humanity had made over the past 50 years thanks to them. In her argument, she noted that the negative outlook on economic development could be attributed precisely to the increasingly fragile international relations. On the other hand, the EU as a multilateral institution could provide the right answers to the challenges of the future, referring to the recently signed agreement that would strengthen the relations between Germany and France (and hopefully the whole of the EU). She said, at the same time, the **system of institutions was in need of reforms**. It could often not react fast enough or had lost its significance over time and it **did not represent appropriately the current balance of powers**, referring to the under-representation of developing economies. She claimed that this had to be changed.¹⁵



Climate change

The event hosted **Sir David Attenborough**, the world-renowned British naturalist, who, in his speech that was one of the most incendiary, underlined that **"The Garden of Eden is no more"**. Humanity had caused such damages in the

natural environment which entailed irreversible consequences both for climate change and the loss of biodiversity. He, therefore, **urged both governments and enterprises to take practical steps**, as the events and trends of the next couple of years could determine the development of the upcoming millenias. Thus, economic models needed to be transformed among others, we had to be able to manage the end of growth, as **infinite growth under finite conditions was not possible**.¹⁶

The future of employment

The question of the future of workplaces **was treated as a priority** this year and the thoughts on this can be summarised in five main points:

- **Alibaba chief Jack Ma** said **he preferred to hire people who were smarter than him** and who could potentially become his boss. This way one could ensure that a company could further develop in the long term.
- **Ginni Rometty**, the CEO of IBM drew attention to the importance of **fundamentally changing the education and career model**, as certain jobs will face a real threat with the uptake of automation.
- **LinkedIn co-founder Allen Blue** would **involve more women in technological lines of work** since many important aspects are ignored because artificial intelligence and applications using machine learning are predominantly programmed by men.
- **French Minister of Labour Muriel Pénicaud** talked about her country's retraining programme. French employees received an annual **grant of EUR 500 to participate in a chosen training programme**. This way, the flexibility and adaptability of the labour force could be ensured.

- Finally, **John Flint, the CEO of HSBC bank** discussed the recovery of the financial sector after the economic crisis and said that **a significant role should be dedicated to preserving mental health in the banking profession.**¹⁷

China's participation in the forum

Representing China, Vice President **Wang Qishan** traced the development of the Chinese economy back to historical, cultural and philosophical causes in his speech entitled *Stay Confident and Work Together for A Shared Future*. He emphasised the importance of studying the past in order to understand current trends. The Vice President said that the People's Republic of China **sticked to the goals of the Communist Party** after 70 years since its founding and the country's social, political and economic systems continued to be governed by these goals.¹⁸

He also noted that the **Chinese people were peace-loving**, respected other cultures and were willing to learn from them. Such an attitude and the cooperation with other people lied behind the success of the country over the past 70 years.

He used the analogy of a cake when talking about **the challenges and benefits created by globalisation**. There was no point in **halting globalisation**, the cake had to be made but its slices should be **shared in a fairer way.**¹⁹

Multilateralism should be kept alive and **technological innovations should be governed by a framework** that enabled improvements to truly serve people's interests and contribute to international peace, security, democracy, transparency, and mutual benefits.

The Vice President's speech met with many **positive reactions** just as the address of Xi Jinping two years ago in which he had expressed similar thoughts. Xi Jinping had been the first one to

emphasise **China's increasing role in global governance.**²⁰

George Soros, in comparison, drew attention to the threats of the authoritarian governing structures used by China and Xi Jinping, whom he called rather sharply the most dangerous enemy threatening open societies.

In his view, the Chinese leadership used **the innovations of machine learning and artificial intelligence to oppress its people**. He warned that due to vast data collected in the **social credit system** and to the algorithm developed with this aim the **individuals who posed a threat to the one-party system** could be easily separated, and they would be treated by authorities accordingly.²¹



Mr Soros explained that he one year ago he used to support China's great involvement in the international system, however, he now **changed his opinion about Xi Jinping** and did not approve of President Trump's permissive attitude. According to the billionaire, **China and the United States were in a cold war**, which could escalate in real battles.²²

Criticism was expressed about the slowdown of the Chinese economic growth and the change to authoritarian leadership by the government, however, some already pointed out the Chinese primacy over the results of the American researchers **in the field of artificial intelligence**. The **innovations related to AI technologies are among the government's priorities** and the

significance of these are clear to corporate leaders as well. This is also reflected in the annual CEO study conducted by the consulting firm PwC in which 84% of the Chinese leaders agreed with the claim that **the significance of artificial intelligence would exceed that of the internet**. Only 38% of their American counterparts responded positively to this question. If the USA lags behind China regarding both the funds invested in and the corporate support granted to AI technologies, China **could soon secure a major competitive advantage** in the field of artificial intelligence.²³

Russian participants of the forum

Over the past few years, Russia was traditionally represented in the Davos Forum by leaders of the top Russian enterprises and government delegations at least on deputy prime minister level. Dmitry Medvedev both as President and Prime Minister attended the forum several times in the past years, while **Vladimir Putin participated in it ten years ago in 2009**, as the Head of Government.

This year, the **participation of the Russian delegation was close to being cancelled for a long time**, and its actual participation can still be considered rather limited. The three Russian participants who had attended the Davos Meeting of the World Economic Forum for years, namely VTB Bank CEO Andrey Kostin; one of the richest man in Russia, leader of the Renovo energy enterprise, Viktor Vekselsberg; and the industrial tycoon Oleg Deripaska, nicknamed "aluminium king", were added to the sanctions list of the United States in April 2018 and therefore could not show up in this year's forum. In fact, being on the sanctions list of the United States would not necessarily be a blocking factor but a strong American influence was felt in the background and **the organisers of the forum indicated that the participation of the Russian billionaires was not desirable**.²⁴ It must be noted,

however, that the participation in the Davos Forum is not free and the attendees pay rather big sums to join one of the world's most important elite economic club. In other words, if the organisers had accepted money from the Russian billionaires or their corporations, they would have become subjects of the American sanctions mentioned.

Citing its sources, the Financial Times accounted that the participation of even Russian President Vladimir Putin had been seriously considered in 2018 (he would have attended the meeting for the first time after ten years), however, his attendance had become impossible due to negative discrimination against Russian participants.²⁵ The relation between Moscow and the organisers of the forum deteriorated to the extent that even **the boycott of the forum was considered by Russia**. The ban was lifted due to Russian pressure after all²⁶ but the most prominent Russian businessmen were absent this year and the Russian delegation was represented by the 36-year-old Minister of Economic Development Maksim Oreshkin.



Russia's attendance thus became limited and the House Russia, which traditionally hosted the Russian delegation, had suspended organising the programmes for some months and opened again almost in the last minute. The organisers must have also hit badly by the absence of the Russian billionaires along with the largest Russian enterprises, as the sponsorship funds of the



Russian corporations were a major income for the forum.

The main task of Russian Minister of Economic Development Maksim Oreshkin was to convince investors to invest in Russia. In his opinion, Russia's intentions are misunderstood by the West and the country is deliberately treated as an enemy: Oreshkin thinks that because of the economic problems the West wanted to find an outside enemy and the Kremlin was suitable for this role.²⁷

Boris Titov, the Russian ombudsman in charge of the business sector, who had run for presidency in 2018, also made a speech in the forum. Titov thinks that the **Russian SME sector and real economy does not feel the impact of the sanctions by the West**, they are much more dependant on the events of internal affairs.²⁸ In his opinion, foreign investors **still consider investing in Russia much less risky** than in other BRICS countries: India, Brazil, South Africa or even China.²⁹

Produced by: **Anton Bendarzsevszkij, László Gere, Fanni Marácz**

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Editor-in-Chief: Anton Bendarzsevszkij
Authors: Anton Bendarzsevszkij, Ádám Csenger, Ráhel Cziráj
Viktor Eszterhai, László Gere, Péter Klemensits, Fanni Marácz, Katalin Miklós, Alexandra Mogorósi, Eszter Polyák, Ádám Róma, Alexandra Zoltai

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